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ABSTRACT

The following three major issues should be addressed during the Comprehensive Employment and Training Act (CETA) reauthorization debate: program objectives, program effectiveness, and CETA's reliability as a delivery system. Suggested as a tool to reduce unemployment, reduce inflation, reduce welfare dependency, and provide fiscal relief to state and local governments, CETA faces the danger of becoming a program that will, in an attempt to address conflicting objectives, fail to address any one objective well. Policymakers should also consider the fact that while on-the-job training and classroom training generate the highest post-program earnings gains, there is also evidence that carefully tailoring employment and training programs to the individual needs of participants is preferrable to a priori attempts to legislatively prescribe treatment. The key delivery system issue for the 1982 CETA reauthorization debate is to force a clear choice between centralization and decentralization. Analysis of past CETA performance indicates that the program's primary objective should be to reduce structural unemployment. Programs should emphasize training that is closely aligned with employer skill needs, and available resources should be targeted at the most disadvantaged. In addition, CETA should be decentralized and its operations should be more closely coordinated with other employment-related federal programs. (MN)

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PAPER NO. 4

ISSUES IN CETA REAUTHORIZATION

Charles B. Knapp

January, 1982

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TABLE OF CONTENTS

Preface i

I. Introduction 1

CETA authorization expires September 30, 1982. This paper analyzes major issues which should be addressed during the CETA reauthorization debate and makes recommendations regarding the future structure of employment and training programs.

II. Background 1

CETA is the latest version of a major, two decade old commitment on the part of the federal government to an interventionist employment and training policy. Employment and training programs are capable of accomplishing a wide range of social and economic policy objectives. Despite the strong conceptual appeal, there is a sense that employment and training programs have never lived up to their potential. The reasons are complex, but much of the problem can be ascribed to the difficulty of choosing between attractive but competing program objectives. During the debate, the basic issues of program objectives, program effectiveness, and a reliable delivery system must be clearly resolved. At the same time, other employment related federal programs will be before the Congress for consideration. The 1982 CETA reauthorization represents an unprecedented opportunity to improve coordination and better define the relationships among employment-related federal programs. The task will not be easy, but to fail to attempt bringing a broader focus to these programs is not defensible.

III. Major Policy Issues. 4

The three major issues to be debated include program objectives, program effectiveness, and a reliable delivery system.

A. Program Objectives 5

The employment and training system has been suggested as a tool to address a number of worthy social and economic objectives including (1) reducing both structural and cyclical unemployment, (2) reducing inflation, (3) reducing welfare dependency, and (4) providing fiscal relief to state and local governments. One source of the problem is that some of the objectives may be complementary, but this is not always the case. The employment and training programs cannot pursue all objectives simultaneously. Attempts to design programs to address conflicting objectives may result in no objective being addressed well.

B. Program Effectiveness 10

It is important to take advantage of what can be learned from past experience. The best source of information is the Department of Labor's Continuous Longitudinal Manpower Survey (CLMS). That study suggests that (1) on-the-job training generates the largest postprogram earnings gains and classroom training generates the second largest gains and (2) all program activities show larger postprogram year earnings gains for low earners. However, even these findings with regard to Public Service Employment (PSE) for low earners must be interpreted with caution. There is also evidence that carefully tailoring employment and training programs to the individual needs of participants is preferable to a priori attempts to legislatively prescribe treatment.

C. Reliable Delivery Systems. 15

The key delivery system issue for the 1982 CETA reauthorization debate is to force a clear choice between centralization and decentralization. Facts to be considered include: (1) with current personnel resources, the federal government is not capable of effectively managing a centralized employment and training system, (2) given the political leanings of the Reagan administration, the debate will likely go beyond the issue of radical decentralization, (3) a decentralized system may be more susceptible to criticisms of fraud and abuse than a centralized system, (4) there may be important national employment and training objectives that can only be attained through a strong federal role, and (5) the most efficient approach to solving the problems of the target groups could be to reform and utilize traditional educational programs. Also, a way must be found to insulate funding levels from outside shocks.

IV. Employment and Training System for the 1980s 20

Six specific recommendations are presented. (1) The primary objective of the employment and training system should be to reduce structural unemployment. (2) Structural programs should emphasize training that is closely aligned with employer skill needs and meets the full range of employment needs of the participant. (3) Available resources should be targeted on the most disadvantaged. (4) The employment and training system should not pursue countercyclical economic objectives. Countercyclical PSE should be eliminated. (5) The employment and training system should be decentralized with the responsibility for program operation resting squarely with the prime sponsors. The federal government should have assigned to it only a limited number of specific oversight responsibilities. Prime sponsorships could be limited to state governments which could, in turn, be responsible for dealing with local jurisdictions. (6) The operations of CETA and other employment-related federal programs must be more closely coordinated.

V. Conclusion 24

Clear choices regarding the future of the employment and training system must be made in the course of the debate. We cannot afford to stumble through another period of multiple, ill-defined, conflicting objectives and lack of overall focus in program operation.

Footnotes. 26

Biographical Sketch. 27

PREFACE

In May of 1981, the Southeastern Regional Council for Educational Improvement published a paper entitled Recommended Specifications for Grant Simplification for Federal Aid to Education.[1] This paper on CETA reauthorization and its companion piece, Issues in the Reauthorization of Vocational Education,[2] are extensions of the ideas expressed in that original publication in that they are based upon the same underlying precepts. This paper and its companion piece identify some of the same problems facing education programs which prepare persons for employment and offer consistent suggestions for improvement. Among the consistencies noted are:

1. The need for establishing a national policy for education and work.
2. The suggestion that the federal government should set goals but allow the states to pursue those goals in a flexible manner.
3. The belief that a revitalized system of secondary and post-secondary vocational education may offer the most effective and efficient means for delivering the necessary services.

Southeastern Regional Council
for Educational Improvement

ISSUES IN CETA REAUTHORIZATION

I. Introduction

CETA Expires September, 1982

The basic authorizing legislation for employment and training programs in the United States, the Comprehensive Employment and Training Act (CETA), expires on September 30, 1982.[3] The decisions that are reached during the CETA reauthorization debate will set the course of employment and training policy in the United States. The purpose of this paper is to analyze the major issues that should be addressed during the CETA reauthorization debate and make recommendations regarding the future structure of employment and training programs. The perspective of the paper is intentionally broad. Specific analysis of more detailed issues must eventually be done as part of the reauthorization process.

Reauthorization Debate Should Address Major Issues

II. Background

CETA - Latest Version Of Two Decade Commitment To Labor Market Intervention

The 1982 CETA reauthorization debate will focus attention on a number of social and economic issues that are important to education and labor market policy in the United States. CETA is only the latest version of a major, two decade old commitment on the part of the federal government to an interventionist employment and training policy. Beginning in earnest with the enactment of the Manpower Development and Training Act in 1962 and continuing through the inception of CETA in 1973, the federal government has provided nearly $100 billion worth of employment and training services to tens of millions of American workers.

Theoretical Rationale

Employment and training programs are capable of accomplishing a wide range of social and economic policy objectives. They can, in theory, correct the failures of private labor markets. By training unskilled workers for available jobs, the programs should simultaneously reduce structural unemployment and lessen inflationary pressures. Public service employment should reduce cyclical unemployment and ease the fiscal burden of hard pressed state and local units of government. Employment and training programs should reduce welfare dependency.

Never Lived Up To Potential

Despite this strong conceptual appeal, there is an annoying sense that employment and training programs have never lived up to their potential. The reasons for both the real and perceived failures of the employment and training system are varied and complex, but much of the problem, especially in recent years, is ascribable to an unwillingness on the part of policy makers to choose between attractive but competing program objectives and to structure a workable delivery system to provide the desired services.

Policy Makers Must Make Difficult Choices

Basic Issues: Objectives, Effectiveness, And Delivery System

It is particularly important during the 1982 CETA reauthorization debate that the basic issues of program objectives, effectiveness, and delivery system be clearly resolved. The CETA system cannot lurch through another period of conflicting and multiple goals with an inconsistent organization structure. Congress, the Reagan administration, and other interested parties must give employment and training issues sufficient attention so that trade-offs can be recognized and reasonable

policy decisions can be made during the 1982 debate. Otherwise, neglect will continue to take its toll and the true potential of those programs will never be realized.

It is additionally important to recognize that during the 1982 CETA reauthorization debate a remarkable number of other employment-related federal programs will also be before the Congress for consideration. Fitful attempts have been made in the past to better coordinate employment-related federal programs but the efforts have failed both because of the complexity of the conceptual issues involved and because of the turf instincts of the bureaucrats who administer each program.

Need For Coordination

The 1982 CETA reauthorization, however, represents an unprecedented opportunity to improve coordination and better define the relationships between employment-related federal programs. Not only will CETA, Vocational Education, and the Economic Development Act be before the Congress in 1982 or 1983, but either expiration or other events will force consideration of additional programs such as the Job Service, the Unemployment Insurance System, the Target Jobs Tax Credit, Trade Adjustment Assistance, Urban Development Action Grants, Community Development Block Grants, Elementary and Secondary Education, and Adult Education.[4] Furthermore, the announced intention of the Reagan administration to implement a workfare program raises the difficult issue of the relationships between all these programs and the welfare system.

Time Is Now

Task Is Difficult

The problems involved in better coordinating employment-related federal programs can hardly be overestimated. But the task must be undertaken. This nation passed the point well before the 1980 election where the sort of duplication and overlap inherent in the current organization of these programs will be tolerated. An effort must be made to take a broad look at overall performance and objectives and to determine how improvement can be made. All that should be accomplished by way of restructuring will not, of course, be done. But to not try to bring a broader focus to employment-related federal programs and to continue to treat each of the programs as an impenetrable fiefdom is not defensible as a strategy.

Attempt Must Be Made

To accommodate both a sharper focus on basic issues and consideration of the complex interrelationships between the range of employment-related federal programs, the 1982 CETA reauthorization debate will have to represent a quantum improvement over previous discussions of employment and training policy.

Must Be Improvement Over Previous Debates

III. Major Policy Issues

Issues To Be Debated Identified

The 1982 CETA reauthorization debate must carefully and systematically analyze several important policy issues. These issues are (a) objectives, (b) program effectiveness, and (c) delivery system.

Options Need To Be Clear

The purpose of this section is to make clear the options and trade-offs involved in these policy issues. It is

important to clearly delineate the objectives of the employment and training system and to understand that while certain programs are well-suited to address particular policy objectives, all objectives cannot be effectively addressed simultaneously. Likewise, it is important to look beyond the theory of employment and training programs and learn what we can from twenty years of experience about which programs have and have not been effective in practice and what system can best deliver the programs.

Cannot Do Everything Simultaneously

A. Objectives

The employment and training system has been touted as a policy tool that can effectively address a number of worthy social and economic objectives. These objectives have included: (1) reducing both structural and cyclical unemployment, (2) reducing inflation, (3) reducing welfare dependency, and (4) providing fiscal relief to state and local governments. More often than not, however, the employment and training system has been asked to pursue several or all of these objectives simultaneously. Herein lies the source of a major problem, since although some of the objectives may be complementary, this is not always the case.

Possible Objectives Listed

The actual effectiveness of various employment and training programs will be discussed below. But before turning to this important issue, it is important to understand what employment and training programs are capable of on a theoretical level and under what conditions

Theoretical Potential Described

the different objectives of these programs are either complementary or contradictory. Consider each of the objectives referred to above:

1. Structural Unemployment

Structural Unemployment Defined

Put in its simplest terms, structural unemployment exists when there are people unemployed and willing to work and there are jobs available, but the unemployed do not have the skills necessary to fill the jobs. The structurally unemployed are disproportionately young, minority, and female.

Who Are The Structurally Unemployed?

They have either failed in or been failed by the public school system and the private sector does not find it profitable to train them. When they do find work, the jobs are usually casual and unskilled. Although the number of young people entering the labor force in the 1980s will decline, the number of minority youth entering the labor force will continue to rise until near the end of the decade. Exacerbated by rapid technological change, the problem of structural unemployment is likely to be with us for some time.

Training - Best Theoretical Response

The best theoretical response to structural unemployment is training so that those individuals without jobs will acquire the skills necessary to take available work. In order to be effective, the training must be both within the capabilities of the trainee and match the needs of prospective employers.

This latter point bears heavily on the so called "targeting" issues since the hardest core of the structurally unemployed are often the most difficult to train for the high-skill jobs being created in the economy. Training, to be successful in this environment, must be combined with activities like remedial education and special job placement assistance.

Remedial Education Needed

2. Cyclical Unemployment

Cyclical Unemployment Defined

Cyclical unemployment occurs when the total number of jobs available drops because of a decline in economic activity. As opposed to the structurally unemployed, the cyclical unemployed have the skills to work in a healthy economy.

Public service employment (PSE), where workers are found temporary jobs producing a useful social product until economic conditions improve, is well-suited to respond to cyclical unemployment. In order to be effective, countercyclical PSE must be flexible enough to expand (and contract) on a cycle opposite employment in the regular labor force.

3. Inflation

Inflation Could Be Lessened

The arguments supporting the use of employment and training programs to combat inflation are similar to the arguments cited to support their use as a response to structural unemployment. Even in a period of economic expansion and the creation of new jobs, employers will neither train nor employ the

structurally unemployed. Instead, the incentive for an individual employer is to add to inflationary pressures by bidding up the wages of already skilled workers. Therefore, to the extent that training programs are successful in preparing the structurally unemployed for available jobs, inflationary pressures could be lessened.

4. Welfare Dependency

Could Decrease Welfare Dependence

Any employment and training program that removes people from the welfare rolls by definition results in a reduction in dependency on these programs. These welfare savings are counterbalanced by the cost of the employment and training program, but even if these programs are more costly, they can be preferable since participation in training or holding a PSE job may be socially more acceptable than dependence on welfare. Furthermore, participation in employment and training programs can potentially lead to economic self-sufficiency and a long-run reduction in welfare dependence.

5. Fiscal Relief

Could Provide Fiscal Relief

Another objective of PSE has been to provide fiscal relief to state and local units of government. Legislation authorizing PSE, beginning with the Emergency Employment Act of 1974, has always attempted to ensure that the public service workers were net additions to employment. But the recipients of

PSE grants have often had other agendas. As the budgets of state and local jurisdictions have come under increased pressure, they have sought alternatives to layoffs and reductions in services. Other, more affluent jurisdictions have sought ways to either expand services or cut taxes. PSE can and has provided a vehicle for these objectives by paying all or part of the salaries of government workers.

Potential Conflict

The use of PSE for fiscal relief represents a potentially important conflict with countercyclical employment and training objectives. To the extent regular government workers are hired who would have been hired anyway, net employment does not rise. This is often referred to as the substitution issue. On the other hand, the use of public service workers to maintain employment in an economic downturn of workers who would have otherwise been fired or laid-off can concurrently provide fiscal relief and fulfill a countercyclical employment and training objective.

Summary

Conflict Built Into Current Objectives

Employment and training programs are a remarkably versatile set of public policy tools which can simultaneously pursue a number of different social and economic objectives. But the programs cannot pursue all objectives simultaneously and attempts to design programs to address

conflicting objectives may result in no objective being addressed very well. For example, it is clearly feasible to initiate an effective countercyclical PSE program but to attempt to pursue structural goals at the same time will limit flexibility in hiring to the point where the program becomes ineffective. Additionally, the price of mounting an effective countercyclical PSE program is some minimum amount of substitution.

Avoid Conflicting Objectives

In reaching decisions on CETA objectives, it is thus important to choose between attractive but perhaps conflicting goals and to select what particular employment and training programs can best attain those goals within limited resources. An overriding principle should be to avoid conflicting objectives within a given program and to avoid diluting programs in an attempt to meet conflicting objectives.

B. Program Effectiveness

Gap Between Theory And Reality

In the CETA reauthorization it is not only important to specify clear and consistent policy objectives but also to take advantage of what can be learned from past experience. There is often a gap between the theory and the reality of employment and training programs.

The richest source of information about the performance of employment and training programs is the Department of Labor's Continuous Longitudinal Manpower Survey (CLMS), which follows the postprogram employment and earning experience of CETA participants.[5] The

CLMS is especially well-suited to evaluate the effectiveness of structural employment and training programs since the postprogram earnings of participants can be compared to an otherwise similar control group of non-participants. All things considered, net earning gains are arguably the best measure of a program's structural effectiveness.

Table I summarizes CLMS results on 1977 earnings differences for a cohort of fiscal year 1976 CETA terminees in different program activities. Several interesting inferences can be drawn from the data in Table I.

On-The-Job Training And Classroom Instruction Proven Effective

First, on-the-job training generates the largest postprogram year earnings gains and classroom training generates the second largest gains. Thus, if policy makers are interested in structural objectives, there is reason to believe that training programs can be effectively implemented. The larger gains for on-the-job training lend some credibility to the theory that training is most effective when it is closely linked to employer skill requirements.

Low Earners Gain Most

Second, all program activities show larger post-program year earnings gains for low earners. These higher gains posted by the low earners indicate that if the primary criteria by which employment and training programs are to be judged is future net earnings gains, there is clear merit, beyond even the normal equity considerations, in focusing on the most disadvantaged.

TABLE I

Estimated Net Impacts on 1977 Earnings by Level of Preprogram Earnings and Program Activities (Rounded to Nearest $50), For Fiscal Year 1976 Terminees

Preprogram Earnings Group	All Program Activities	Classroom Training	On-the-Job Training	Work Experience	Multiple Activities	Public Service Employment
All Groups	300a	350a	850a	-150	250b	350c
Low Earners	550a	600a	1,300a	0	900a	550b
Intermediate Earners	50	0	450a	-200	0	250
Higher Earners	-50	250	300	-800c	-250	100

Levels of Statistical Significance are Indicated as Follows:

a = Significant at the 0.01 Level
b = Significant at the 0.05 Level
c = Significant at the 0.10 Level

Source: Summary of Highlights of Net Impact Report No. 1: Impact on 1977 Earnings of New FY 1976 CETA Enrollees in Selected Program Activities, U. S. Department of Labor, Employment and Training Administration, February 1981.

The low earners may be the group for which the private labor markets institutions are least effective and where the public sector can do the most good.

Third, the positive earnings gains from PSE for low earners must be interpreted with some caution. Fiscal year 1976 was prior to the tightening of PSE eligibility and wage limits mandated by the 1978 CETA reauthorization. The PSE program did not generate earnings gains for the majority of participants who were in the intermediate and high earning categories and the large PSE earnings gains attributed to low earners may not be sustainable if the number of disadvantaged in the program were to increase dramatically, as occurred in the 1977-78 PSE expansion. However, it is also important to note that the zero and negative earnings results for intermediate and high earners does not compromise the potential effectiveness of PSE as a countercyclical policy tool since the primary countercyclical objective is that PSE be able to increase or decrease jobs on the same phase as the business cycle, not that the jobs result in future earnings gains.

Interpret PSE Results With Care

In addition to the CLMS results, there are other more impressionistic observations that must be considered in assessing the effectiveness of various employment and training programs. With respect to training, experience indicates that one must be cautious in using the CLMS results to justify an inordinate reorientation of the

employment and training system toward on-the-job training. Since on-the-job and classroom training constitute only a relatively small proportion of total employment and training activity,[6] there is a question regarding the absorptive capacity of the private labor market for subsidized training slots that have a reasonable probability of future job placement.

Private Labor Market Has Limited Number Of Training Slots

The Private Sector Initiative Program, authorized as Title VII of the 1978 CETA reauthorization, represents a significant test as to whether the private sector is willing to absorb additional CETA training responsibility. The program was specifically structured to encourage businesses to closely link CETA training with private sector jobs. The Private Sector Initiative Program has gotten off to a slow start, but it is unclear whether this is due to a reluctance on the part of business to get involved with any government program or a limit on the number of meaningful CETA subsidized training slots in the private sector.[7]

Private Sector Initiative Program Off To A Slow Start

Another mechanism which has been suggested to more closely link CETA training and jobs is the establishment of local labor market boards comprised of labor, business, public, and community representatives. The local labor market board plays a coordinating and decision-making role in such matters as the establishment of training programs. This model has enjoyed some success in Western Europe where there has been a strong tradition of labor-

Impact Of Local Labor Market Boards

management cooperation, worker participation, and activist public labor market policy. Since these institutions are not as strong in the United States, it is uncertain to what extent the experience is transferrable. The apprenticeship system is as close to the labor market board approach as anything that currently exists in the United States.

Carefully Tailor Programs To Participants

There is also evidence that carefully tailoring employment and training programs to the individual needs of participants is preferable to *a priori* attempts to legislatively prescribe treatment. Sometimes inexpensive program activities like job search assistance are all that is required. More often, however, there has been a bias towards program treatments that are not intensive enough. In many cases, multiple activity longer-term training that allows a graduated application in dealing with the employment problems of the hard-core structurally unemployed is not only necessary for success but is also more cost effective.

C. Delivery Systems

1978 - CETA Confused Intergovernmental Responsibilities

The 1978 CETA reauthorization resulted in considerable confusion regarding the roles and responsibilities of various levels of government in the delivery of employment and training services. The sharp turn toward decentralization in the original 1973 CETA bill was moderated in the 1978 reauthorization primarily because of congressional concerns over fraud and abuse. Although

CETA maintained its decentralized rhetoric and organizational structure, the Department of Labor was given responsibility for additional fiscal and management oversight functions and new organizational and management oversight functions were federally mandated at the prime sponsor level.

Choice For 1982: Centralization vs. Decentralization

The resulting uncertainty over which functions are centralized or decentralized has been enormously harmful to the efficient management of the employment and training system. The key delivery system issue for the 1982 CETA reauthorization debate is to force a clear choice between centralization and decentralization.

In deciding whether various functions of the CETA system should be centralized or decentralized, the following factors should be considered:

Federal Government Cannot Manage Centralized System

1. With current personnel resources, the federal government is not capable of effectively managing a centralized employment and training system. Given the current negative national mood about increasing the number of federal employees, one must seriously question whether sufficient federal resources can be made available to effectively manage an employment and training system with significant federal responsibilities.
2. Given the political leanings of the Reagan administration, the 1982 CETA reauthorization debate will likely go even beyond the issue of radically

decentralizing authority for employment and training programs to state and local units of government and raise the question of whether <u>any</u> employment and training program run by <u>any</u> level of government can be an effective means of labor market intervention.

New Question

New Alternatives

The alternatives certain to be considered are financial incentives such as the youth subminimum wage, targeted employment tax credits, and enterprise zones.

3. A decentralized employment and training system may be inherently more susceptible to criticisms of fraud and abuse than a centralized system. A decentralized system may produce a better average program than a centralized system, but may also result in a wider variance in program quality. A centralized program, according to this theory, would produce a lower average but more uniform program quality. Given that the current nature of American journalism is to focus on the programs at the lower end of the quality distribution and pay much less attention to the programs that work well, a decentralized system would be inherently more subject to criticism of fraud and abuse.

National Objectives May Require Strong Federal Role

4. There may be important national employment and training objectives that can only be attained through a system that prescribes a strong federal role. The effective structuring of the employment

and training system, perhaps as well as any other example, clearly frames the basic intergovernmental relations question of federal versus state or local control. Are there national employment and training objectives important enough that the basic presumption of nonfederal control should be mitigated? The answer to this question for the past twenty years has been "yes." National priorities like targeting on the disadvantaged have been considered important enough that federal control has been exerted. If national employment and training objectives are still considered important, specific, but limited (see 1 above), federal responsibilities in the delivery system will have to be prescribed.

5. Another major question concerns the restructuring of the existing educational institutions so that they could become the prime delivery system for employment and training programs as opposed to creating a separate system. The most efficient approach to solving the problems of the target groups could be to reform traditional educational programs to make them more responsive to these individuals' needs. For example, established vocational education institutions and programs are able to address the needs of the disadvantaged where they are flexible and diversified.

Utilize Existing Educational Institutions

Faced with questions such as these, the usual response of policy makers has been to compromise. There is no reason that certain limited functions in the employment and training system cannot be assigned to the federal government and certain functions to nonfederal jurisdictions, so long as the respective roles and responsibilities are clearly delineated and understood. But attempting to too finely divide responsibility for separately definable functions between various levels of government or pushing decentralized rhetoric in the face of an entirely different reality is a certain prescription for misunderstanding, hostility, and confusion. If targeting is judged to be an important national employment and training objective, the federal government's responsibility and mandate to enforce targeting on prime sponsors should be made clear in the legislation. If the type of training to be offered is to be a local prerogative, it should be made clear that the federal government should stay out of making such determinations. Choices such as these are hard to make, but making the choices is preferable to the current confusion with roles and responsibilities in the system.

Federal Legislation Should Clearly Specify Direction

Achieving clarity on roles and responsibilities is a necessary but not sufficient condition for improving the management of the employment and training system. A way must also be found to insulate funding levels from outside shocks not directly related to employment and

Insulating Funding From Outside Shocks

and training policy. The preferred solution to this problem would be to forward fund (i.e., appropriate funds for two or more years) employment and training programs, especially the structural programs. No other single action would have such a salutary effect on the management of employment and training programs. However, past administrations and the Congress have rejected forward funding because it would reduce flexibility in controlling appropriations in out fiscal years. Additionally, recent experience has shown that even two year appropriations are not safe from budget recissions and deferrals.

Provide Forward Funding

IV. An Employment and Training System for the 1980s

Adversarial Debate Proposed

The CETA reauthorization debate will produce a wide range of alternative positions on these major policy issues. The debate will be highly contentious and positions will often be based on normative rather than positive considerations. The best way to sort out competing policy options in a situation like this is to allow for an adversarial process, where interested parties assert and are then required to defend their respective point of view.

The purpose of this section is to make a series of recommendations regarding the future structure of employment and training programs. The recommendations are put forth with the objective that they will become part of the debate surrounding the 1982 reauthorization of CETA.

Recommendations For Debate:

Six specific recommendations are presented:

Concentrate On Structural Unemployment

1. The primary objective of the employment and training system should be to reduce structural unemployment. There is an important need to clarify and simplify the mission of the employment and training system. It is vital that policy makers be able to articulate and taxpayers be able to understand what this money is being spent for.

Align Training With Job Needs

2. Structural programs should emphasize training that is closely aligned with employer skill needs and meets the full range of employment needs of the participant. The CLMS results show that on-the-job training is the most effective program activity in terms of increasing the future earnings of participants. Therefore, efforts should be intensified to closely align training with jobs and to expand the number of subsidized training opportunities in the private sector through institutions such as the Private Industry Councils, local labor market boards, or expanded apprenticeship programs. Within reasonable limits, less emphasis should be put on the objective of reducing service unit costs *per se* and more emphasis on tailoring a locally determined, carefully sequenced combination of training and other services (e.g., remedial education, job placement assistance) to meet the specific employment needs of individuals. Work experience programs (including PSE) should be allowable only in this broader context.

Provide Support Services

3. Available resources should be targeted on the most disadvantaged. Funds for employment and training programs will be severely constrained for the foreseeable future. Both equity considerations and the CLMS results which show that training programs are most effective for the most disadvantaged lead to the conclusion that scarce employment and training resources should be spent on those who are least likely to be able to help themselves in the labor market. Although providing training services to laid-off experienced workers might strengthen political support for employment and training programs, there will not be sufficient funds to undertake such programs. The hard reality is that most experienced workers are better able to fend for themselves in the labor market and, given the shortage of funds, will have to do so.

Target On Those Who Need Most Help

4. The employment and training system should not pursue countercyclical economic objectives. Countercyclical PSE should be eliminated. Although the theory of using PSE to achieve countercyclical economic objectives is sound, its use should be abandoned because: (a) automatic formula funding for PSE is not likely and the conventional federal funding procedures cannot provide resources on an appropriate phase with the business cycle, (b) rapid increases and decreases in PSE result in low program quality and increase

Eliminate PSE

the potential for fraud, and (c) the type of flexible PSE program required to achieve countercyclical objectives will invariably result in the use of funds by state and local jurisdictions to provide fiscal relief.

5. The employment and training system should be decentralized with the responsibility for program operation resting squarely with the prime sponsors. The federal government should have assigned to it only a limited number of specific oversight responsibilities.

Limit Federal Responsibilities

There should be a clearly stated presumption in the 1982 CETA legislation that responsibility for program operation rests with the prime sponsors unless specifically stated otherwise. The most logical candidates for the strictly limited federal role would be maintenance of targeting, eligibility determination standards and financial integrity, coordination with other employment-related federal programs, and technical assistance. Serious consideration should also be given to easing the burden on the federal government by reducing the number of prime sponsors. For example, prime sponsorships could be limited to state governments which could, in turn, be responsible for dealing with local jurisdictions. There is really no reason to believe that the states can't structure local labor market operation at least as effectively as the federal

Make States The Prime Sponsors

Intermediate Option

government has in the past. An intermediate option would be to increase the population standard for prime sponsor status from the current level of 100,000, thus increasing the scope of the Balance of State prime sponsorship.

6. The operations of CETA and other employment-related federal programs must be more closely coordinated. There should be a state-wide set aside on the order of the ten percent for all employment-related programs. This set aside should be awarded to grantees only when the governor has submitted a plan demonstrating that program delivery in the state is adequately coordinated.

Mandate Coordination

V. Conclusion

This paper has analyzed the policy issues which should be addressed in the 1982 CETA reauthorization and made recommendations regarding the program's future. The basic thesis of the paper is that clear choices regarding the future of the employment and training system in the United States must be made in the course of the debate. The employment and training system in this country cannot afford to stumble through another period of multiple, ill-defined, and conflicting objectives and a lack of overall focus in program operation. Because of accelerating technological change it is likely that labor markets in this country will continue to undergo rapid change for at least the remainder

Clear Choices Must Be Made

of this century. The nation badly needs a flexible but clearly directed employment and training system to address the labor market needs of workers who will otherwise be left behind.

FOOTNOTES

[1]"Recommended Specifications for Grant Simplification for Federal Aid to Education," Occasional Papers in Educational Policy Analysis, No. 2, May, 1981, Southeastern Regional Council for Educational Improvement, Research Triangle Park, North Carolina.

[2]"Issues Involved in the Reauthorization of Vocational Education," Occasional Papers in Educational Policy Analysis, No. 5, January, 1982, Southeastern Regional Council for Educational Improvement, Research Triangle Park, North Carolina.

[3]The Omnibus Reconciliation Bill signed by President Reagan in August, 1980 provides that if neither the House nor the Senate pass a CETA reauthorization bill before September 30, 1982, the existing CETA legislation will be extended for one year. If either the House or the Senate pass the CETA reauthorization bill before September 30, 1982, the existing CETA legislation will expire.

[4]The expiration dates for these programs are as follows: Vocational Education (extended to 1984 by the Omnibus Reconciliation Act of 1981), Economic Development (September 30, 1982), Targeted Jobs Tax Credit (December 31, 1981), Trade Adjustment Assistance (September 30, 1982), Urban Development Action Grants (September 30, 1983), Community Development Block Grants (September 30, 1983), Elementary and Secondary Education (September 30, 1983), Adult Education (September 30, 1983). The coordination of CETA and the Job Service will be an issue in the CETA reauthorization debate. The Reagan administration will soon have to respond to the report of the National Commission on Unemployment Compensation which was issued in 1980.

[5]See Continuous Longitudinal Manpower Survey, Experiences in the First Two Postprogram Years with Pre/Post Comparisons for Terminees Who Entered CETA During January-June 1975, Report MEL 81-04 (Volumes I and II), Westat, Inc.

[6]Less than five percent of CETA participants in fiscal year 1980 were enrolled in on-the-job training (181,000/3,697,000=4.9%) (Source: Employment and Training Administration).

[7]See A Formative Evaluation of the Private Sector Initiative Program, The Ohio State University Research Foundation, Columbus, Ohio, 1980.

Biographical Sketch

CHARLES B. KNAPP

Charles B. Knapp joined the faculty of The George Washington University in January 1981 as a Visiting Associate Professor of Economics and Public Policy. He also serves as the Executive Director of the Center for Employment Policy Studies, a Washington, D.C. based nonprofit economic research corporation. Knapp is an economist with interests in the fields of employment policy, immigration, regulatory economics, and public finance. He has served as a consultant to numerous corporations, private foundations, and government agencies. Knapp has published in a variety of professional economics and other journals including Economic Inquiry, The Industrial and Labor Relations Review, The Journal of Human Resources, and The Journal of Political Economy. He is the co-author of a book, Employment Discrimination.

From 1972 to 1977, Knapp was an Assistant Professor of Economics and a Research Associate, Center for the Study of Human Resources, The University of Texas at Austin. In January 1977, he joined the Carter administration as a Special Assistant to the U. S. Secretary of Labor, Ray Marshall.

In May 1979, Knapp was named Deputy Assistant Secretary of Labor for Employment and Training. In this capacity he was responsible for administering federal employment and training programs that provide training, job search assistance, unemployment compensation, and other labor market services to American workers. Included among these programs were the Comprehensive Employment and Training Act (CETA), the U. S. Employment Service, and the Unemployment Insurance Service.

Knapp was born in Ames, Iowa, on August 13, 1946. He received his B.S. Degree (with honors and distinction) from Iowa State University in 1968 and his M.A. and Ph.D. Degrees from the University of Wisconsin-Madison in 1972.

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